

RECEIVED  
06 SEP 12 PM 2:18  
C&I TENNCARE

**QUARTERLY STATEMENT  
OF THE  
Windsor Health Plan of TN, Inc.**

**of  
Brentwood  
in the state of  
Tennessee**

**TO THE  
Insurance Department  
OF THE STATE OF  
Tennessee**

**FOR THE QUARTER ENDED  
June 30, 2006**

**2006**



QUARTERLY STATEMENT  
AS OF June 30, 2006  
OF THE CONDITION AND AFFAIRS OF THE  
Windsor Health Plan of TN, Inc.

NAIC Group Code	1268 (Current Period)	1268 (Prior Period)	NAIC Company Code	95792	Employer's ID Number	62-1531881
Organized under the Laws of	Tennessee		State of Domicile or Port of Entry	Tennessee		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[ ] Dental Service Corporation[ ] Other[ ]		Property/Casualty[ ] Vision Service Corporation[ ] Is HMO Federally Qualified? Yes[ ] No[X] N/A[ ]		Hospital, Medical & Dental Service or Indemnity[ ] Health Maintenance Organization[X]	
Incorporated/Organized	05/14/1993		Commenced Business	01/01/1994		
Statutory Home Office	7100 Commerce Way, Suite 285 (Street and Number)		Brentwood, TN 37027 (City, or Town, State and Zip Code)			
Main Administrative Office	7100 Commerce Way, Suite 285 (Street and Number)		Brentwood, TN 37027 (City, or Town, State and Zip Code)			
Mail Address	7100 Commerce Way, Suite 285 (Street and Number or P.O. Box)		Brentwood, TN 37027 (City, or Town, State and Zip Code)			
Primary Location of Books and Records	7100 Commerce Way, Suite 285 (Street and Number)		Brentwood, TN 37027 (City, or Town, State and Zip Code)			
Internet Website Address						
Statutory Statement Contact	Jennifer Giannotti (Name) jgiannotti@windsorhealthgroup.com (E-Mail Address)		(615)782-7800 (Area Code) (Telephone Number) Brentwood, TN 37027 (City, or Town, State and Zip Code)			
Policyowner Relations Contact			(615)782-7914 (Area Code) (Telephone Number) (615)782-7826 (Fax Number)			

OFFICERS

Name	Title
Michael Bailey	President
Willis Jones	Secretary

OTHERS

DIRECTORS OR TRUSTEES

Philip Hertik  
Michael Bailey

Willis Jones

State of Tennessee  
County of Williamson ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

*Michael Bailey*  
(Signature)  
Michael Bailey  
(Printed Name)  
President  
(Title)

*Willis Jones*  
(Signature)  
Willis Jones  
(Printed Name)  
Secretary  
(Title)

(Signature)  
  
(Printed Name)  
  
(Title)

Subscribed and sworn to before me this  
8th day of September, 2006

- a. Is this an original filing?  
b. If no, 1. State the amendment number  
2. Date filed  
3. Number of pages attached

Yes[ ] No[X]

1  
09/08/2006  
6

*Jynda A. Marshall*  
(Notary Public Signature)  
NOTARY PUBLIC  
AT LARGE  
DAVIDSON COUNTY, TN

MY COMMISSION EXPIRES:  
January 26, 2008

# Reden & Anders

an **INGENIX** company

2110 Bala Avenue, Suite 100 | Tallahassee, Florida 32301 | Phone: (904) 413-4900 | Fax: (904) 413-4950 | [www.redenanders.com](http://www.redenanders.com)

September 7, 2006

Mr. Mike Bailey  
President and CEO  
Windsor Health Plan of TN, Inc.  
7100 Commerce Way, Suite 285  
Brentwood, TN 37027

**Confidential**

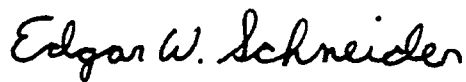
Dear Mike:

Enclosed is our statement of actuarial opinion dated September 7, 2006. This opinion is based on a review of the Medicaid actuarial liabilities and related items identified herein, as shown in the June 30, 2006 statutory quarterly financial statement of Windsor Health Plan of TN, Inc. This opinion has been prepared for the sole purpose of attaching it to the above described quarterly statement.

This opinion is based on our review of the summarized Medicaid claims experience provided to us on claims incurred June 30, 2002 and prior and paid through June 30, 2006.

Publication or use of the opinion, except as specifically provided above is prohibited without our prior written consent.

REDEN & ANDERS, LTD.



---

Edgar W. Schneider  
Consultant  
Associate, Society of Actuaries  
Member, American Academy of Actuaries

## WINDSOR HEALTH PLAN OF TN, INC.

### STATEMENT OF ACTUARIAL OPINION JUNE 2002 MEDICAID CLAIMS UNPAID LIABILITY AS OF JUNE 2006

I, Edgar W. Schneider, am associated with the firm of Reden & Anders, Ltd. and a member of the American Academy of Actuaries. Reden & Anders, Ltd. has been retained by Windsor Health Plan of TN, Inc. (Company) to render this opinion with regard to loss reserves, actuarial liabilities, and related items for their Medicaid block of business. I meet the Academy qualification standards for rendering this statement of actuarial opinion. This opinion has been prepared solely for the Board and management of the Company, for filing with insurance regulatory agencies in Tennessee.

I have examined the assumptions and methods used in determining the loss reserves, actuarial liabilities and related actuarial items listed below, as shown in the quarterly statement of the Company, as prepared for filing with state regulatory officials, as of June 30, 2006.

Claims unpaid (Page 3, Line 1)	\$11,620,208
Unpaid claims adjustment expenses (Page 3, Line 3)	\$0

The claims unpaid amount in the quarterly statement of the Company includes two lines of business, Medicare and Medicaid. This opinion pertains solely to the Medicaid business. We have relied on the Company to provide for us a split between these two lines of business of the claims unpaid. That split is \$0 claims unpaid for the Medicaid business for June 20, 2002 and prior and \$11,620,208 for the Medicare business for January, 2006 through June, 2006. We did not review the liability for the Medicare portion of the business. The reasonableness and adequacy of the Medicare reserve is outside of the scope of this actuarial opinion.

I have relied upon Willis Jones, Executive Vice President of the Company, as to the accuracy and completeness of the underlying records and summaries of policies and contracts in force, asset records, and other information underlying the loss reserves and related actuarial items examined. In other respects, my examination included such review of the actuarial assumptions and actuarial methods and such tests of actuarial calculations, as I considered necessary in the circumstances.

I have not examined the assets of the Company and I have formed no opinion as to their validity or value. My opinion that the Company's liabilities covered by this opinion make good and sufficient provision for all unpaid claims and other actuarial liabilities rests upon the assumption that these liabilities are backed by valid assets which have suitably scheduled maturities and adequate liquidity to meet cash flow requirements.

In my opinion, the amounts carried in the balance sheet on account of the actuarial items for the Medicaid business identified above:

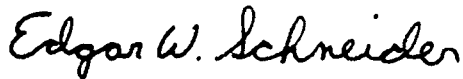
- a. Are computed in accordance with accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles;
- b. Are based on actuarial assumptions relevant to contract provisions and are appropriate to the purpose for which the statement was prepared;
- c. Meet the requirements of the laws of the State of Tennessee;

**WINDSOR HEALTH PLAN OF TN, INC.**

**STATEMENT OF ACTUARIAL OPINION  
JUNE 2002 MEDICAID CLAIMS UNPAID LIABILITY AS OF JUNE 2006**

- d. Make good and sufficient provision for the Medicaid unpaid claims liabilities of the Company under the terms of its contracts and agreements; and
- e. Are computed on the basis of assumptions and methods consistent in all material respects with those used in computing the corresponding items in the annual statement of the preceding year-end.

The actuarial methods, considerations and analyses used in forming my opinion conform to the appropriate Standards of Practice as promulgated by the Actuarial Standards Board, which standards form the basis of this statement of opinion.



---

Edgar W. Schneider  
Associate, Society of Actuaries  
Member, American Academy of Actuaries

September 7, 2006

Reden & Anders, Ltd.  
2170 Satellite Blvd, Suite 150  
Duluth, Georgia 30097  
Phone: (678) 417-4903

# Reden & Anders

an **INGENIX** company

3170 Satellite Boulevard, Suite 100 | Duluth, Georgia 30097 | Ph: (678) 417-1900 | Fax: (678) 417-4950 | [www.reden-anders.com](http://www.reden-anders.com)

September 7, 2006

Mr. Mike Bailey  
President and CEO  
Windsor Health Plan of TN, Inc.  
7100 Commerce Way, Suite 285  
Brentwood, TN 37027

## **RE: RECONCILIATION OF MEDICAL FUND TARGET AS OF JUNE 30, 2006**

Dear Mike:

At the request of Windsor Health Plan of TN, Inc.'s (WHP) management, Reden & Anders, Ltd. reviewed WHP's Medical Fund Target Reconciliation (Fund) as of June 30, 2006. This review incorporates each of their major HMO Medicaid product lines.

This memorandum summarizes the basis of our assumptions and the methodology used for reviewing WHP's Fund as of June 30, 2006.

### **DATA PROVIDED**

Below is a listing of the information WHP provided to assist in our review and estimation of year-end claim liabilities:

- Claim payments by product line for incurred and paid dates through June 2006.
- Membership counts through June 2006.
- June 2006 Medical Fund Monitoring Report

We relied on this data furnished by WHP, which we did not test nor verify for accuracy.

### **APPROACH**

We developed the Fund estimates using a standard actuarial lag approach, in which past payment patterns, by dates of service, are used to estimate the levels of completeness by paid date. Dividing the paid claims to date for a given incurral month, by the appropriate completion factor, yields the expected ultimate incurred claims.

As the estimated completion factor decreases, this approach becomes less reliable as an estimator to predict ultimate incurred claims. Therefore, for the most recent months, we used other actuarially sound methods (e.g., per member per month approach) to estimate ultimate

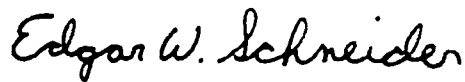
Mr. Mike Bailey  
September 7, 2006  
Page 2

incurred claims. The liability of the Fund is equal to ultimate incurred claims less all claims paid to date as of the valuation date, June 30, 2006.

#### SUMMARY

Based on our professional judgment, WHP's Fund liability as of June 30, 2006, as reported in the Medical Fund Monitoring Report, is reasonable.

If there are any questions regarding this analysis, they can be directed to me at 678-417-4903.



---

Edgar W. Schneider  
Associate, Society of Actuaries  
Member, American Academy of Actuaries

Reden & Anders, Ltd.  
2170 Satellite Blvd., Suite 150  
Duluth, GA 30097  
Phone: 678/417-4903  
Fax: 678/417-4950

**Reden & Anders**

an **INGENIX** company

**Windsor Health Plan of TN, Inc. (WHP)**  
**Reconciliation of June 30, 2006 MSM to NAIC Filing**

The NAIC statement for the period ended June 30, 2006 is inclusive of WHP's TennCare line of business as well as our Medicare line of business. Because the NAIC statement reflects combined results from both lines of business it is very difficult to make a comparison to the MSM report. First, the MSM report only shows activity for the TennCare line of business. Next, WHP does not have financial risk for our TennCare membership as a result of the ASO contract. Therefore, amounts corresponding to medical payments, recoveries or premiums reported on the MSM are solely presented to reflect medical expenses that flow through the TennCare line of business as they relate to the payments reimbursed by the Bureau of TennCare.

Specifically, IBNR of \$14,850,421 reported on the MSM report is related to the periods of November 2003 through June 30, 2006. This entire time frame is encompassed by the ASO agreement so the liability is the State of Tennessee's and not WHP's, and is therefore not reflected on the NAIC statements as prescribed by ASO accounting methods.

Additionally, the medical expenses/recoveries included in the NAIC Statement of Revenues and Expenses are related solely to Medicare operations and pre-ASO periods for TennCare. Conversely, the medical expenses reported on the MSM report are related to the ASO period and are truly expenses of the State of Tennessee instead of WHP.